

War on Islamic Fascism



Major Homeland Security/Defense Accomplishments of the U.S. Senate During the 109th Congress

DEFENDING AMERICA AND SECURING THE HOMELAND

Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 – P.L. 109-234

This law provides \$74.6 billion to meet the needs of troops overseas fighting the Global War on Terror, pandemic flu preparation, increased border security, levee repair and flood control projects, without exceeding the President's requested funding level [Note: the law also provided hurricane-relief funding, which is addressed separately]

USA PATRIOT Improvement and Reauthorization Act – P.L. 109-177

This law permanently renews 14 provisions of the USA Patriot Act and temporarily extends two provisions previously set to expire. This renewal is essential to prevent future terrorist attacks by providing law enforcement and intelligence agencies with the tools necessary to detect, apprehend, and prosecute terrorists and criminals.

Department of Defense Appropriations, FY 2006 – P.L. 109-148

This law provides \$453.28 billion in new obligational authority for the Department of Defense for FY 2006. This Act provides \$50.0 billion in supplemental funds for the Global War on Terror, fully funds key readiness programs critical to the Global War on Terrorism, and also provides funding for a 3.1-percent across-the-board pay raise for military personnel. This law also establishes uniform standards for interrogation and prohibits cruel, inhuman, or degrading treatment or punishment of individuals under the control of the Department of Defense.

Military Construction and Veterans Affairs Appropriations, FY 2006 – P.L. 109-114

This law provides \$82.57 billion in new budget authority for FY 2006, including funding for military construction for the active and reserve component accounts; family housing construction and improvement, operations and maintenance; and the base realignment and closure account (BRAC). It also provides \$70.25 billion for the Department of Veterans Affairs, which includes \$23.55 billion for medical services to provide care for veterans whose service has kept all Americans safe.

Reducing the Number of Alien Absconders (Provision included in the Conference Report to Accompany the Science, State, Justice, Commerce and Related Agencies Appropriations, FY 2006) – P.L. 109-108

This provision directs the Departments of Justice and the Department of Homeland Security to work together to study existing apprehension, detention, appeal, and removal policies of illegal aliens and to supply a report to Congress of effective means of reducing the absconder rate.

Automated Biometric Identification System/Fingerprint Identification System (Provision included in the Conference Report to Accompany the Science, State, Justice, Commerce and Related Agencies Appropriations, FY 2006) – P.L. 109-108

This provision directs the Department of Justice to update Congress on its efforts to fully integrate the databases at the Federal Bureau of Investigation (FBI) with the Department of Homeland Security (DHS) with regard to fingerprint scans at U.S. ports of entry. The use of biometric identifiers such as fingerprints is an important tool to ensure that terrorists or criminals monitored by the FBI or DHS are identified and stopped before they are able to enter the country.

Department of Homeland Security Appropriations Act, FY 2006 – P.L. 109-90

This law provides \$31.86 billion in new budget authority for the Department of Homeland Security. Significant initiatives include the following: increasing funding for border security to provide an additional 1,000 border patrol agents, expanding Border Patrol Stations, and improving customs and border protection; implementing proactive steps to combat the threat posed by weapons of mass destruction; preventing terrorist attacks in the U.S through risk assessment and improving intelligence gathering; and improve security and readiness programs to respond to both natural and manmade crises through emergency planning.

Service Members Group Life Insurance Act of 2005 – P.L. 109-80

This law allows for an increase in the maximum life insurance coverage allowed for an insured veteran or service member from \$250,000 to \$400,000. It also directs the Secretary of Defense to make a good faith effort to inform the spouse of an active duty service member if the member chooses to reduce coverage or designate another person as beneficiary of benefit. This law affirms the Senate's commitment to ensuring that military survivors are cared for after their loved ones make the greatest sacrifice for our country and our freedom.

Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, FY 2005 – P.L. 109-13

This law provides \$82.04 billion for ongoing military operations, postwar reconstruction and relief in Iraq and Afghanistan, aid for international partners in the war on terrorism, and homeland security needs. It includes \$907.3 million in relief for victims of the Indian Ocean tsunami, including \$656 million for the Recovery and Reconstruction Fund.

Reconstruction and Stabilization Civilian Management Act of 2006 (S. 3322) – Passed Senate

This bill would help to reduce the burden on the branches of the Armed services by providing for the creation of the Coordinator for Reconstruction and Stabilization, which would work with the Department of State and the United States Agency for International Development to create an effective civilian response to carry out reconstruction and stabilization activities in regions around the globe affected by conflict or civil strife.

Defense Authorization Bill (S. 2766) – Passed Senate

This bill would authorize defense programs in FY 2007 including an additional \$50.0 billion supplemental for the ongoing military operations in Iraq, Afghanistan, and operations in the global war on terrorism. The bill would also authorize an across-the-board military pay raise of 2.2 percent and targeted pay raises for mid-career and senior enlisted personnel and warrant officers.

State Criminal Alien Assistance Program Reauthorization (S. 188) – Passed Senate

This bill reauthorizes the State Criminal Alien Assistance Program (SCAAP). SCAAP provides financial assistance to states and local governments with authority over correctional facilities that incarcerate or detain undocumented criminal aliens. This bill reflects Republicans' commitment to provide the necessary federal support to keep our homeland safe.

Respect for America's Fallen Heroes Act – P.L. 109-228

This law ensures that America's fallen heroes will receive the level of dignity and honor befitting their service to our country during their funeral services. This law would restrict protests at funeral services conducted on grounds controlled by the National Cemetery Administration or at Arlington National Cemetery and prohibit distracting protests within 500 feet of a cemetery at which a funeral or memorial service is to be held, for a period beginning 60 minutes before and ending 60 minutes after the service. The law also imposes penalties for violating this law.

Ambassador Khalilzad's Remarks to the Center for Strategic and International Relations



Tuesday, July 11, 2006

"I believe Americans, while remaining tactically patient about Iraq, should be strategically optimistic."

- Ambassador Khalilzad

The Situation on the Ground...

"Today, Sunni Arabs are full participants in the political process, with their representation in the national assembly now proportional to their share of the population. they have largely come to see the United States as an honest broker in helping Iraq's communities come together around a process and a plan to stabilize the country."

"al Qaeda in Iraq has been significantly weakened during the past year....."

"These are fundamental and positive changes. Together, they have made possible the inauguration of Iraq's first ever government of national unity... [and] enabled political progress that resulted in the recent announcement by Prime Minister Maliki of his government's National Reconciliation and Dialogue Project."

The Question of Amnesty:

"We will work with Iraqi leaders to find the right balance between reconciliation and accountability and to ensure that the sacrifices of those who died or were injured in the liberation of Iraq are honored. There will not be a double standard that grants amnesty to those who killed soldiers in the Coalition but not to those who killed Iraqis. The American people can rest assured on that point. The biggest honor for soldiers and civilians who sacrificed to end the threat from Saddam's regime and to liberate the Iraqi people is for the cause of a democratic Iraq to succeed and for those Iraqis who initially fought this change to accept the new order."

The Enemy Today:

"A chasm has been developing between al Qaeda and those Sunni Arabs in Iraq who have been part of the armed opposition. Previously, many Sunni Arab insurgents saw al Qaeda's operations as beneficial for their own cause. Now, the Sunni Arabs increasingly understand that the terrorists are not interested in the future of Iraq and that al Qaeda's leaders see Iraqis as cannon fodder in an effort to instigate a war of civilizations. More and more, Iraqi Sunni Arab insurgents reject this cynical game. Osama bin Laden's specific denunciation of Sunni Arab political leaders, such as Vice President Tareq Hashami, and recently captured documents indicate that al Qaeda's leadership know that they are losing ground as a result of Iraq's reconciliation process. They know that if reconciliation goes further and begins to hollow out the Sunni Arab armed opposition, it is a mortal threat to their terrorist movement."

As Iraqis Stand Up, The Coalition Stands Down:

"The Coalition will be able to adjust its forces as Iraqi security forces stand up and as the security situation improves. Both the Iraqi government and the Coalition agree that the goal is for Iraq to stand on its own feet in terms of providing for its own security and that dangers exist in going too fast or too slow in drawing down Coalition forces. General Casey and I are discussing with the Iraqi government the formation of a joint commission to work towards the conditions-based withdrawal of Coalition forces. This will complement the joint commission on the transfer of security responsibilities, which has already produced an agreement on the first transfer – in Muthanna Province – to take place on July 13. This action demonstrates

that as Iraqi security forces are ready to succeed in securing an area, responsibility for it will be turned over to them. This process will be based on continuing assessments of the security situation and Iraqi capabilities to handle it. If current progress remains on track, the Coalition will be able to continue its drawdown of forces. “

The Importance of Succeeding in Iraq:

“ I am aware of the dangers of staying too long in Iraq, as well as the risks of leaving too soon, before success is ensured. A precipitous Coalition departure could unleash a sectarian civil war, which inevitably would draw neighboring states into a regional conflagration that would disrupt oil supplies and cause instability to spill over borders. It could also result in al Qaeda taking over part of Iraq, recreating the sanctuary it enjoyed but lost in Afghanistan. If al Qaeda gained this foothold – which is the strategy of the terrorists – it would be able to exploit Iraq’s strategic location and enormous resources. This would make the past challenge of al Qaeda in Afghanistan look like child’s play. Finally, a precipitous withdrawal could lead to an ethnic civil war, with the Kurds concluding that the Iraqi democratic experiment had failed and taking matters into their own hands and with regional powers becoming involved to secure their interests.”

“Whatever anyone may have thought about the decision to topple Saddam – whether one supported it or not – succeeding in Iraq is now essential to the future of the region and the world. Most of the world’s security problems emanate from the region stretching from Morocco to Pakistan. Shaping its future is the defining challenge of our time. What happens in Iraq will be decisive in determining how this region evolves. Therefore, the struggle for the future of Iraq is vital to the future of the world.”

MUTHANNA -- PROVINCIAL IRAQI CONTROL



The transfer of security responsibility in Muthanna Province -- from the Coalition commander to the Governor of Muthanna -- was finalized at a signing ceremony on July 13, 2006. The transfer demonstrates the successful efforts by Iraq and the Coalition.

Going forward, the Iraqi Government will take control of additional Iraqi provinces when conditions for transition are achieved. A joint committee was created to develop the conditions necessary for the appropriate Iraqi civil authorities to take Provincial Iraqi Control.

What Exactly Does This Mean for Muthanna?

(Taken from MG Caldwell briefing, 7/10/06)

- The transition in Muthanna province indicates the increased capability of the Iraqi security forces and the Iraqi government not just to operate independently, but literally to replace Coalition forces.
- The Governor of Muthanna assumes supervision and general direction of all provincial police.
- The provincial Iraqi police service assumes the lead for domestic security in Muthanna.
- The provincial director of police will lead the daily security operations within the province through the Police Joint Coordination Center, which coordinates all security operations within the province.
- National police and Iraqi Army within the province will remain under national control under the Prime Minister.
- Multinational forces will move out of all urban areas in Muthanna, assume a supporting role, and provide transition assistance teams as requested. MNF-I will remain postured to assist, but only at the approval of the Prime Minister of Iraq.

The Selection Of A Province For Transfer Is Based On Four Criteria:

(Taken from MNF-I fact sheet, except where indicated)

Threat Level: A threat to the security of a province is examined. If Iraqi provincial authorities can ensure security and domestic order through the normal use of local police, it is satisfactory for transfer.

In Muthanna:

- Iraqi Police in the Lead: Muthanna's provincial police forces have been in control of the province for more than four months with minimum support from Coalition Forces. They have even manned a 115 system (equivalent to our 911 emergency system). For the last four months they have also conducted all administrative police headquarters business. (Taken from BC Cichowski brief.)
- Infrastructure: The Coalition has facilitated the construction of security infrastructure including Border Forts, Police Stations, Forward Operating Bases and various headquarters.

Iraqi Security Forces: The Iraqi security forces in the province are studied to determine if their training, equipment and capability are capable of protecting its citizens.

In Muthanna:

- Iraqi Army Training: The Coalition has raised, mentored, monitored, equipped and delivered, using the Military Training Teams, both of the Muthanna battalions in the 10th Division of the Iraqi Army.
- Police Training: The Coalition has brought about significant improvements to border security through the delivery of training to the Department of Border Security and Coast Guard and Inland Waterways Department. Engagement with the Ministry of Interior's Department of Internal Affairs has ensured that the Iraqi police not only enforce the law but are subject to it.
- Equipment: The Coalition has assisted with the purchase and delivery of significant quantities of equipment and infrastructure to the Iraqi Police Service, Army, and Department of Border Enforcement.
- Capability: Coalition forces have helped to raise, train and re-equip the Iraqi security forces in the Province over the past three-years to the point where they are now capable of taking over security for the province themselves.

Governance: The governor must be capable of overseeing security operations. A Joint Operations Room must be capable of coordinating activities. An Iraqi Ministry of Defense and Iraqi Ministry of the Interior intelligence structure must support the Iraqi Police.

In Muthanna:

- Operations Room: The Coalition created Provincial Joint Operations Centers which allow for Integration of Iraqi Security Forces promoting joint operations.
- Oil Supply Secure: Oil delivery has been safeguarded through hardening the Oil Infrastructure, training and equipping the Oil Protection Force and establishing a Joint Oil Operations Room from which the Iraqi Security Forces are directed.
- Civil Institutions: The Coalition's Multinational Division - Southeast (MND-SE) has facilitated the development of Iraqi civil institutions in accordance with democratic principles, through the Provincial Council. Coalition Forces have invested nearly \$340 million in Muthanna.

Multi National Force - Iraq: MNF-I must be capable of reinforcing Iraqi security forces, if necessary. Coalition Forces will continue to help coordinate civil reconstruction projects. MNF-I will conduct activities in conjunction with the policies of the Iraqi Ministry of Interior and Iraqi Ministry of Defense.

In Muthanna:

- The Coalition is Committed: According to BG Cichowski, "Coalition Forces remain committed to continue the humanitarian efforts in the province, as well as provide emergency assistance, if needed, in the future."
- Providing Support: Iraqi National Police, Iraqi Army, and Coalition Forces may support provincial police in accordance with the chain of command, through the chain of command and with the agreement of the central government.

Basic Information about Muthanna:

- Size: Al-Muthanna Province is the largest land area in Southeast Iraq. It covers an area of 20,000 square miles. It is equivalent in size to the state of West Virginia.
- Population: Muthanna has a population of about 550,000. At least 97% of these are Shi'a Muslim, the remainder are mostly Sunni Muslim, with a few Christians.
- Cities and towns: The largest city is the capital, As-Samawa, Other major towns are Ar-Rumaytha, al-Khidr and al-Salman.

Reconstruction in Muthanna:

- **Power:** \$1.2 million was invested in electricity distribution projects in Muthanna in 2005. An additional \$1.3 million is currently being spent on further improvements installing 11 KVA power feeder lines which will further improve electricity distribution in the province.
- **Water:** \$11 million is being spent on the provision of water compacting units for the province. A further \$2.8 million was spent on over 100 water projects in Muthanna making improvements to the water supply by detecting and repairing leaks and extending water mains throughout the province. 93% of people in this mainly rural province now have access to supplies of safe drinking water. \$700 thousand is currently being spent to improve the Water Directorate's ability to manage the province's water supply through a series of mapping and digital imagery projects combined with provisions of IT and training for directorate staff.
- **Health:** Coalition Forces are currently funding two \$400 thousand projects to build blood collection, testing and storage facilities in Muthanna. \$800 thousand was spent on refurbishments and improvements to medical warehouse facilities in the province.
- **Date Palm Spraying:** MND-SE funded province wide date palm spraying this year. The spraying of insecticide to destroy the debas pest and dust spider will greatly increase the province's yield of dates and reinvigorate this traditional industry, which was devastated by the previous regime.
- **Justice Building:** MND-SE funded the building of a new justice building in As Samawah. This was the first new justice building to be opened in Iraq and provides facilities for the Minister of Justice to accommodate the Departments of Public Notary, Orphan Care, Land Deeds and Archive and expediting warrants.

Prime Minister al-Maliki's speech at the Muthanna Turnover Ceremony (as prepared for delivery):

Thanks to God and best prayers and peace upon the Prophet Mohammed. Peace be upon you with God's blessing.

It's a historic day in Iraq and one of the major national days which will be recorded with golden ink in the history of Iraq. It's a day in which the people of al-Samawa should be proud, and should be recorded in their history as being the first city which succeeds to achieve peace and security.

This day has not come in vain and was not given to you as a grant. You should be proud that the history of Iraq will register that the first step to hand over security occurred in your city. Definitely this step has come after work, integration, harmony and pure intentions between the citizens of the city and the officials who run the affairs of this city, namely between the local government and the city's citizens.

We are very pleased to come to the city to bless you, and the Iraqi people that you started on the road to achieving sovereignty and security handover. Yet, this major step is an obligation on your neck, it is the faith of Iraqi people on your neck and the first step on the road if you succeed, God willing. The series of the other procedures will be quick and complete.

God forbid, if any failure in this experience occurs, I think this will lead to a big catastrophe and disappointment, which may affect all the process which we pursue in order to complete the full handover of security. This step requires the maximum state of harmony and cooperation between the governing officials and civil society organizations, with the tribes, clerics and all communities. You should work from now on to unite the lines and find an environment which results in leading to the success of this step.

Be aware that those who want vandalism, and who want to prevent security handover and success of political experience and Iraqi national unity, will spare no effort to undermine this step. Yet, by your will, integration, patience and attention, God willing, we will embrace this step and cut the hands which want to vandalize this area, which will be an important turning point in the history of Iraq.

I call you to integrate and reinforce the strong relations between various security services in the province – between police, army, and security forces and officials – because the integration of the security services gives power and ability to control security. Also I pledge you in the name of the Iraqi government and promise you that we will stand with all we have with you to support this step, and we hope that you will make more contacts to succeed this step.

Also I hope this major step will reflect in the level of provided services, public life and national reconciliation, although this province is clear of disputes. In this ancient city which is known in its revolutionary history, there heroic men and their defiant tribes revolted in 1920 and recorded major national triumphs. From here, the spark of the 1920 revolution broke out, this revolution of liberation and building of the Iraqi state.

I ask my brothers in the Iraqi tribes to embrace this step and rise above all disputes. Once again, I strongly issue a warning, because I know that they are plotting to cause this step to fail and spoil this celebration, whether through terrorist attacks provoking problems in the province or by distorting the results after the security handover. The police and army should give security an extraordinary attention. If we work two hours a day (now), let's work ten hours to make the system succeed.

Joint Statement by Ambassador Zalmay Khalilzad and Gen. George Casey On the Transfer of Security Responsibility in Muthanna Province:

Baghdad, Iraq
July 13, 2006

BAGHDAD – Iraq witnessed a historic event today with the transfer of security responsibility in Muthanna Province from the Multi-National Force - Iraq (MNF-I) to the Provincial Governor and civilian-controlled Iraqi Security Forces. The handover represents a milestone in the successful development of Iraq's capability to govern and protect itself as a sovereign and democratic nation. Muthanna is the first of Iraq's 18 provinces to be designated for such a transition.

As Prime Minister Maliki announced on June 19, 2006, the joint decision between the Iraqi government and MNF-I to hand over security responsibility is the result of Muthanna's demonstrated abilities to take the lead in managing its own security and governance duties at the provincial level. The transition decision also reflects a joint assessment of the overall threat situation in Muthanna, the capabilities of the ISF there and the provincial leadership's ability to coordinate security. Transition teams are in place to smooth the transfer process and multi-national forces will stand ready to provide assistance if needed.

With this first transition of security responsibility, Muthanna demonstrates the progress Iraq is making toward self-governance. Several other provinces are close to meeting the criteria necessary to assume security independence. The Iraqi government and the Multi-National Force will continue to transfer security responsibilities in other provinces in Iraq as conditions are achieved.

Australian, Japanese, and the United Kingdom forces have assisted Muthanna authorities as models of international cooperation, providing economic and humanitarian assistance as well as security and stability. As Iraq develops and its needs continue to evolve, so too will the nature of international assistance to Iraq in Muthanna and elsewhere.

The United States will provide \$10 million in order to enhance the quality of life for the citizens of Muthanna as they take a bold and courageous step forward in the country's movement toward an independent and secure nation. This event represents significant progress by the Government of Iraq to achieve a constitutional, democratic, and pluralistic Iraq which guarantees the rights of all citizens.

More Information on Muthanna:

- Major General Caldwell briefs on Muthanna (7/10/06): <http://www.mnf-iraq.com/Transcripts/060710.htm>
- Ambassador Khalilzad mentions Muthanna in the greater context of progress in Iraq (7/11/06): http://iraq.usembassy.gov/iraq/20060711_khalilzad_csis.html
- Brig. Gen. Kurt Cichowski briefs on Muthanna (7/7/06): <http://www.dod.mil/transcripts/2006/tr20060707-13403.html>
- AP: Iraqis take over security in Muthanna http://news.yahoo.com/s/ap/20060713/ap_on_re_mi_ea/iraq_security_handover&printer=1;_ylt=AnoYkOe8i4E6lQzgy4s.0VgUewgF;_ylu=X3oDMTA3MXN1bHE0BHNIYwN0bWE-

Prime Minister Maliki's Meeting With President Bush

Today, President Bush Met With Prime Minister Maliki And Discussed The Agenda Of Iraq's Unity Government. Prime Minister Maliki is the leader of a government chosen by the Iraqi people through free and fair elections. He has a vision and a strategy to reduce violence and to rebuild his country. He has laid out a comprehensive plan for the future of his free nation. Iraq's leaders recognize their challenges, and they have identified their priorities. The President reaffirmed America's commitment to support Iraq's constitutional democracy and to help Prime Minister Maliki's government succeed.

Prime Minister Maliki's Agenda For Iraq's Unity Government

Since Taking Office, Prime Minister Maliki Has Focused Iraq's Unity Government On Immediate Actions In Three Key Areas:

1. **Security:** Improving security by both military and political actions; securing Baghdad; eliminating armed gangs; and promoting national reconciliation and the rule of law. The Prime Minister understands the new dimensions of the current problems, and he is working to crack down on the terrorists and death squads that are fueling violence in Iraq.
2. **Governance And Economic Reform:** Immediately building economic and government capacity; increasing production of oil and electricity; and building a foundation for prosperity.
3. **International Engagement:** Engaging the nations of the region and the world in Iraq's democratic and economic development.

Security In Baghdad

Terrorists And Extremists Continue To Destroy Innocent Life In Iraq, Yet They Have Not Shaken The Determination Of The Iraqi People To Build A Free Country. The Iraqi and Coalition strategy is to remain on the offensive, including in Baghdad.

Under The Prime Minister's Leadership, Coalition And Iraqi Leaders Are Modifying Operations To Help Bring Greater Security To The Iraqi Capital. Coalition and Iraqi forces will secure individual neighborhoods, ensure the existence of an Iraqi security presence in them, and gradually expand the security presence as Iraqi citizens help them root out those instigating violence. The plan will involve embedding more U.S. military police with Iraqi police units to make them more effective.

To Support This Plan, Additional American Troops And Iraqi Security Personnel Will Be Deployed To Baghdad In The Coming Weeks From Other Areas Of The Country. President Bush and Prime Minister Maliki agreed that Iraqi Security Forces need better tools to do their job – and we are working to equip them with greater mobility, firepower, and protection.

Transition To Iraqi Civilian Control

Iraqi Security Forces Are Growing In Strength And Capability, And Recently A Key Province In Southern Iraq Was Transferred To Full Iraqi Civilian Control. We expect other provinces to make this transition later this year.

- **To Build On This Momentum, Prime Minister Maliki And President Bush Have Agreed To Establish A Joint Committee To Achieve Iraqi Self-Reliance.** This new partnership will seek to ensure the smoothest and most effective assumption of security responsibility by Iraqi forces.
- **The Prime Minister Made Clear That He Does Not Want American Troops To Leave His Country Until His**

Government Can Protect The Iraqi People. The President assured him that America will not abandon the Iraqi people.

Iraqi Leaders Initiative

President Bush And Prime Minister Maliki Discussed Several New Initiatives They Are Undertaking To Create Opportunity For The Iraqi People, Including The Iraqi Leaders Initiative. Starting next summer, the Iraqi Leaders Initiative will bring to America 200 high school and university students from all regions of Iraq and all sectors of Iraqi society to study at local institutions and build personal friendships with the people of our country.

The International Compact For Iraq/Economic Development

President Bush And Prime Minister Maliki Discussed Prime Minister Maliki's Proposal For An International Compact For Iraq, Which Is Expected To Be Signed Later This Year. The Compact will outline Iraq's commitment to specific economic reforms – and the international community's commitment to support those reforms. The United States will work hard to encourage other countries to support the compact, and provide assistance to help Iraq's new democracy succeed.

Iraq's Economy Has Made Real Progress In The First Two Months Of The New Unity Government. Most macroeconomic indicators are in positive territory, and Iraq has realized its highest oil production and export levels since before the war. Exports are averaging 1.47 million barrels per day for the year, and 1.60 million per day in June. Many challenges remain in these areas, but real progress is being made under the Prime Minister's leadership.

Prime Minister Maliki Has Laid Out His Plans For New Investment Laws, Anti-Corruption Measures, Restored Financial Relationships With Gulf States, And Initiatives To Restore Essential Services Through Investment And Reform – And He Is Following Up. Prime Minister Maliki's efforts include directing each cabinet member to establish a comptroller and to submit ethics and financial disclosure agreements. He has submitted an investment law to parliament, which he expects to be enacted before the end of this month.

Prime Minister Maliki Is Also Reaching Out To The International Community To Make Iraq A Reliable Economic Partner. He has visited Saudi Arabia, the UAE, and Kuwait to encourage them to invest in Iraq. He will visit the UN this week to further discussions on an International Compact for Iraq.

Lebanon And Regional Issues

The President Appreciated Hearing Prime Minister Maliki's Perspective On The Situation In Lebanon. President Bush and Prime Minister Maliki agree on the urgency of alleviating humanitarian distress in Lebanon and the importance of strengthening the Lebanese government and supporting the Lebanese people.

Political Reconciliation

On Saturday, Prime Minister Maliki Formally Named The National Council For The Reconciliation And National Dialogue Plan. This Council is made up of 30 leaders from all major religious and political groups and will implement the reconciliation plan that Maliki announced on June 25. Implementing this plan will be an ongoing effort that the United States and the United Nations are prepared to support.

- **Prime Minister Maliki's Reconciliation Initiative Identifies The Right Priorities, Including De-Ba'athification Reform, Amnesty Programs, Militia Demobilization, And Accountability For The ISF.** Statements from Ayatollah Sistani in recent days and demonstrations of solidarity between Shi'a and Sunni Waqfs represent Iraq's desire for peace and unity in the wake of a terribly violent week.

Excerpts from The Prime Minister of Iraq's Address to the United States Congress

"Iraqis have tasted freedom and we will defend it absolutely."

- Nori al-Maliki, Prime Minister of Iraq

Thanking the American People:

"Iraq will not forget those who stood with her ... and who continue to stand with her in times of need. Thank you for your continued resolve in helping us fight the terrorists plaguing Iraq, which is a struggle to defend our nascent democracy and our people who aspire to liberty, democracy, human rights and the rule of law. All of those are not Western values; they are universal values for humanity. They are as much for me the pinnacle embodiment of my faith and religion, and they are for all free spirits. "

"Today Iraq is a democracy which stands firm because of the sacrifices of its people and the sacrifices of all those who stood with us in this crisis.... And that's why I thank you. I would like to thank them very much for all their sacrifices..."

"The journey has been perilous, and the future is not guaranteed. Yet many around the world who underestimated the resolve of Iraq's people and were sure that we would never reach this stage. Few believed in us. But you, the American people, did and we are grateful for this."

Iraq Is the Front Line in the War on Terror:

"I know some of you here question whether Iraq is part of the war on terror. Let me be very clear, this is a battle between true Islam, for which a person's liberty and rights constitute essential cornerstones, and terrorism, which wraps itself in a fake Islamic cloak; in reality, wages a war on Islam and Muslims and values, and spreads hatred between humanity."

"Wherever human kind suffers a loss at the hands of terrorists, it is a loss of all humanity. It is your duty and our duty to defeat this terror. Iraq is the front line [in] this struggle, and history will prove that the sacrifices of Iraqis for freedom will not be in vain. Iraqis are your allies in the war on terror. "

"The fate of our country and yours is tied. Should democracy be allowed to fail in Iraq and terror permitted to triumph, then the war on terror will never be won elsewhere."

"This terrorist front is a threat to every free country in the world and their citizens. What is at stake is nothing less than our freedom and liberty. Confronting and dealing with this challenge is the responsibility of every liberal democracy that values its freedom. Iraq is the battle that will determine the war. If in continued partnership we have the strength of mind and commitment to defeat the terrorists and their ideology in Iraq, they will never be able to recover."

We Face a Common Enemy:

"The truth is that terrorism has no religion... Thousands of lives were tragically lost on September 11th... when those impostors of Islam reared their ugly head. Thousands more continue to die in Iraq today at the hands of the same terrorists who show complete disregard for human life."

"The greatest threat Iraq's people face is terror, terror inflicted by extremists who value no life and who depend on the fear their wanton murder and destruction creates. They have poured acid into Iraq's dictatorial wounds and created many of their own."

"Iraq is free and the terrorists cannot stand this. They hope to undermine our democratically elected government through the random killing of civilians. They want to destroy Iraq's future by assassinating our leading scientific political and community leaders. Above all, they wish to spread fear."

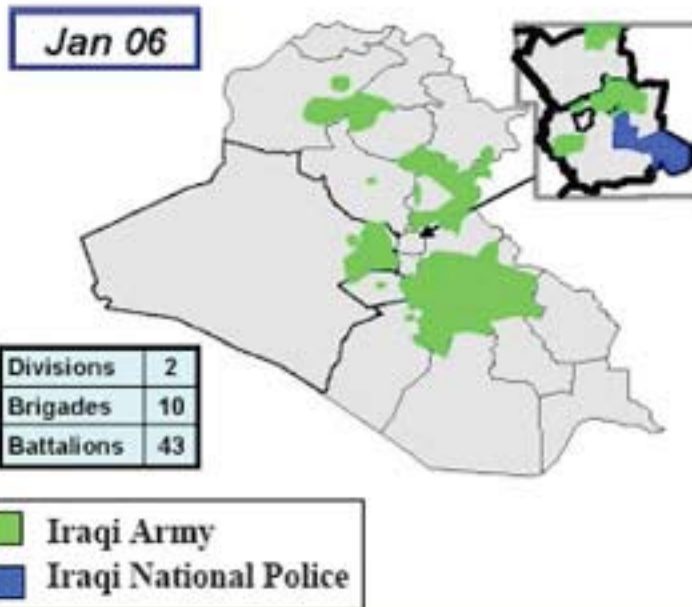
Progress and the Road Ahead:

"Since liberation we have witnessed great accomplishments in politics, the economy and civil society. We have gone from a one-party state ruled by a small elite to a multi-party system where politics is the domain of every citizen and parties compete at all levels. What used to be state-controlled media is now completely free and uncensored; something Iraq had never witnessed since its establishment as a modern state, and something which remains alien to most of the region. What used to be a command economy in Iraq we are rapidly transforming into a free market economy. In the past three years, our GDP per capita has more than doubled, and it is expected that our economy will continue to grow."

"While small sections of central Iraq are unstable, large sections have remained peaceful but ignored for far too long. These were [the] most deprived areas of Iraq under the previous regime, and have been the most valiant in Iraq's struggle for freedom. We need to make an example out of these stable areas as models for the rest of the country."

"Reconstruction projects in these areas will tackle unemployment, which will weaken the terrorists. They will become prototypes for other, more volatile regions [to] aspire to. Undoubtedly, reconstruction in these areas will fuel economic growth and show what a prosperous, stable, democratic and federal Iraq would look like."

Iraqi Security Forces (ISF) Controlled Areas of Responsibility: 1/06



In January '06, the Iraqi Security Forces (ISF) had 2 divisions, 10 brigades and 43 battalions that controlled areas of responsibility.

Iraqi Security Forces (ISF) Controlled Areas of Responsibility: 7/06



Today, the ISF has 4 divisions, 20 brigades, and 75 battalions that control their own areas of responsibility.

May Assessments

Conditions based on four factors:

- Threat level – **Green**
- Iraqi Security Forces – **Green**
- Governance – **Green**
- MNF-I Forces – **Green**



Fact Sheet on Medals, Commendation, or Recognition for an Act of Extraordinary Heroism, Bravery, or Achievement

- Senator Rick Santorum authored Senate Amendment 4210, an amendment he offered to S. 2766, the Fiscal Year 2007 National Defense Authorization Act. The amendment was adopted by the Senate by unanimous consent.
- The Santorum Amendment to S. 2766 expressed the sense of the Senate that the Department of Defense and service secretaries of military departments should notify members of the Senate and House of Representatives when a constituent has received a medal, commendation or recognition for an act of extraordinary heroism, bravery, or achievement.
- The purpose of SA 4210 is to address the wave of negative stories coming from Iraq and Afghanistan concerning our ongoing military operations. The American people seldom hear about the acts of heroism, achievement and bravery carried out by American military personnel in Iraq and Afghanistan. This amendment was crafted to spur the Department of Defense to share with Members of Congress information on all the good things our soldiers, sailors, airmen and Marines are doing in the Global War on Terror. This amendment seeks to change this pattern by making Americans aware of the good deeds and positive contributions our military personnel are making around the world.
- The House bill did not have a similar amendment and so this matter must be reconciled by House and Senate conferees to the FY07 NDAA. Last year, SA2470 was adopted by voice vote to the FY06 NDAA but was not retained by conferees to the bill. We are hopeful that this year the amendment will remain.

RICK SANTORUM
PENNSYLVANIA

U.S. SENATE CONFIRMED
COMMITTEE

WASHINGTON, DC
1110 Pennsylvania Avenue, N.E.
Washington, DC 20002
(202) 224-3434

United States Senate

<http://santorum.senate.gov>

COMMITTEE
FINANCE

WASHINGTON, DC 20540-1000
ATTENTION: SENATE FINANCE AND INVESTMENT
STAFF ASSISTANT/ADMINISTRATIVE
PERSONNEL, ROOM 1000-1000

August 1, 2006

The Honorable Donald H. Rumsfeld
Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Room 3E850
Washington, DC 20301-1000

Dear Secretary Rumsfeld:

I write today concerning the efforts of the United States Senate to enable the Department of Defense to share the achievements and accomplishments of America's military personnel with Members of Congress.

By way of background, I authored Senate Amendment 4210 to S. 2766, the Fiscal Year (FY) 2007 National Defense Authorization Act (NDAA). A copy of this amendment is enclosed with this correspondence. Senate Amendment 4210 expressed the sense of the Senate that the Department of Defense and service secretaries of military departments should notify members of the Senate and House of Representatives when a constituent has received a medal, commemoration or recognition for an act of extraordinary heroism, bravery, or achievement. The amendment was adopted by the Senate by unanimous consent.

The purpose of SA 4210 is to address the wave of negative stories coming from Iraq and Afghanistan concerning our ongoing military operations. The American people seldom hear about the acts of heroism, achievement and bravery carried out by American military personnel in Iraq and Afghanistan. This amendment was crafted to spur the Department of Defense to share with Members of Congress information on all the good things our soldiers, sailors, airmen and Marines are doing in the fight against Islamic terrorism. This amendment seeks to change this pattern by making Americans aware of the good deeds and positive contributions our military personnel are making around the world.

The House-passed bill did not have a similar amendment so this matter must be recommended by House and Senate conferees to the FY07 NDAA. Also by way of background, I offered the same amendment last year to the FY06 NDAA. The amendment, SA 2470, was adopted by voice vote last year. I have also enclosed a copy of last year's amendment with this correspondence. Unfortunately, last year's amendment was not retained by conferees to the bill. I am hoping that conferees will retain this position this year during conference deliberations.

For information:
by 2006-08-01 10:00
and 2006-08-01 10:00
A. Santorum, J. M. Santorum
202-224-3434

For 2006-08-01
by 2006-08-01 10:00
A. Santorum, J. M. Santorum
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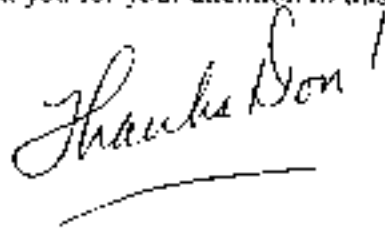
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For 2006-08-01
by 2006-08-01 10:00
A. Santorum, J. M. Santorum
202-224-3434

I ask that you do all you can to implement a system within the Department of Defense and military services to share the achievements and accomplishments of our military service members with Members of Congress. Armed with this information, Members of Congress can help share the accomplishments of our military personnel with our constituents.

Thank you for your attention to this matter.

A handwritten signature in cursive script that reads "Frank Don".

Sincerely,

Rick Santorum
United States Senate

Enclosures
RJS/gh

Rick Santorum SBU

AMENDMENT NO.

Calendar No.

Purpose: Expressing the sense of the Senate on notice to Congress of the recognition of members of the Armed Forces for extraordinary acts of heroism, bravery, and achievement.

IN THE SENATE OF THE UNITED STATES—109th Cong., 2d Sess.

S. 2766

To auth
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By *Werner for Santorum* AMENDMENT No. 4210

To: *S. 2766*

Page(s) *2*

OFFICE OF THE CLERK OF THE SENATE

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SANTORUM

Viz:

I At the end of subtitle F of title V, add the following:

1 SEC. 587. SENSE OF SENATE ON NOTICE TO CONGRESS OF
2 RECOGNITION OF MEMBERS OF THE ARMED
3 FORCES FOR EXTRAORDINARY ACTS OF
4 BRAVERY, HEROISM, AND ACHIEVEMENT.

5 It is the sense of the Senate that the Secretary of
6 Defense or the Secretary of the military department con-
7 cerned should, upon awarding a medal to a member of
8 the Armed Forces or otherwise commending or recog-
9 nizing a member of the Armed Forces for an act of ex-
10 traordinary heroism, bravery, achievement, or other dis-
11 tinction, notify the Committee on Armed Services of the
12 Senate and House of Representatives, the Senators from
13 the State in which such member resides, and the Member
14 of the House of Representatives from the district in which
15 such member resides of such extraordinary award, com-
16 mendation, or recognition.

AMENDMENT NO.

Calendar No.

Purpose: Expressing the sense of the Senate in notice to Congress of the recognition of members of the Armed Forces for extraordinary acts of heroism, bravery, and achievement.

IN THE SENATE OF THE UNITED STATES—109th Cong., 1st Sess.

S. 1042

AMENDMENT No. 2470

To and	By	Warner for Santorum	✓
in			✓
of	To:	S. 1042.	✓
in			✓
of			
of			

Page(s)

109th Cong., 1st Sess.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SANTORUM:

Viz.

1. At the end of subtitle F of title V, add the following:

Sub. of Sec. 100
1 SEC. 100. NOTICE TO CONGRESS OF RECOGNITION OF
2 MEMBERS OF THE ARMED FORCES FOR EX-
3 TRAORDINARY ACTS OF BRAVERY, HEROISM,
4 AND ACHIEVEMENT.

5 It is the sense of the Senate that the Secretary of
6 Defense or the Secretary of the military department con-
7 cerned shall, upon awarding a medal to a member of
8 the Armed Forces or otherwise commending or recog-
9 nizing a member of the Armed Forces for an act of ex-
10 traordinary heroism, bravery, achievement, or other dis-
11 tinction, notify the Committee on Armed Services of the
12 Senate and the House of Representatives, the Senators
13 from the State in which such member resides, and the
14 Member of the House of Representatives from the district
15 in which such member resides, of such extraordinary
16 award, commendation, or recognition.

Jobs/Economy



Securing America's Prosperity: Creating Jobs and Growing the Economy



The nation is enjoying sustained job creation and robust economic expansion under Republican leadership, despite inflation concerns and high energy costs. The economy is making progress, but many American families still are struggling with the high cost of living. Republicans are continuing work on a pro-growth agenda that will promote more and better jobs and improve the standard of living for all Americans.

Republican pro-growth tax relief policies have fueled 3 years of job creation and nearly 5 years of overall economic growth. More Americans are working today than ever before with millions of jobs created, wages are increasing, and federal tax revenues are surging, producing faster-than-expected deficit reduction progress.

- **JOBS:** Since August 2003, the economy has created more than 5.4 million jobs in 34 consecutive months of job gains, 121,000 in June. The nation's unemployment rate remains a low 4.6%.
- **WAGES/PRODUCTIVITY:** Average hourly compensation has risen by 3.9% over the past year, while average weekly earnings have grown 4.6%. In early 2004, these wage measures were only 1.5%. Still many working families find their wages are not keeping up with rising energy and health care costs. Worker productivity in the business sector grew at a 3.9% rate in the first quarter.
- **GDP:** The economy has experienced 19 consecutive quarters of GDP growth. The estimated economic growth for the second quarter is an annualized 2.5%, an expected slowing from the rapid 5.6% annual rate of growth in the first quarter. First quarter growth was the fastest rate in two-and-a-half years and faster than any major industrialized nation. In just two-and-a-half years, real GDP has grown by an impressive 9.5%.
- **TAX REVENUES:** Federal tax revenues are surging, aided by Republican pro-growth tax policies. Tax revenues are up 12.8% to date this fiscal year, on top of last year's 14.6% increase. Federal revenues for FY 2005 totaled \$2.2 trillion – the highest level ever.
- **DEFICIT:** The Office of Management and Budget cut its 2006 federal budget deficit projection by almost a third, to \$296 billion, 2.3% of our economy (GDP) and equal to the historical average, showing we are accelerating our progress toward balancing the budget. Surging federal tax receipts have helped shrink the budget deficit to \$227 billion for the first eight months of this fiscal year, down 16.6% from the same period the previous fiscal year.
- **BUSINESS INVESTMENT:** Business investment has grown at a strong average annualized rate of nearly 7% in the 13 quarters since 2003 tax relief lowered tax rates on dividends and capital gains.

The Republican-enacted tax relief extension bill will keep the economy growing and prevent a massive Democrat tax increase that would raise Americans' cost of living.

- It is important to keep in place tax policies that have helped create millions of jobs and sustained economic growth.
- Preventing automatic tax increases will help ease cost-of-living pressures on American families.
- Democrat tax-and-spend policies would reverse the jobs and economic gains we have made and lower the standard of living for American families.

Republicans are working to restrain government spending and are reducing the deficit faster than expected to keep the economy and job creation strong.

- The OMB revised its 2006 federal budget deficit projection down by almost a third, to \$296B, showing accelerated progress toward balancing the budget.
- The Senate-passed 2007 budget resolution holds down non-defense, non-homeland security discretionary spending and cuts the deficit in half by 2008. With the Senate-passed budget resolution, the deficit will fall by more than half from the \$521 billion projected in FY 2004.
- Republicans last year enacted the Deficit Reduction Act to curb wasteful spending and cut entitlement growth, saving American taxpayers \$100 billion over the next decade.

109th Senate Accomplishments: Promoting Jobs and a Strong Economy



- 5.4 million new jobs and low 4.6% unemployment rate – 34 consecutive months of job gains
- 19 consecutive quarters of economic (GDP) growth
- Tax increase prevention (\$70 billion in extended tax relief)
- Froze non-defense, non-homeland security spending (2007 budget resolution)
- Cut entitlement spending growth to save taxpayers \$100 billion over 10 years (Deficit Reduction Act)
- Lawsuit abuse reform for class action and gun liability
- Bankruptcy reform protection for small businesses and lower costs for consumers
- Retirement security for American workers (Pension Security Act)
- Free trade agreements with Central America and Bahrain

SENATE 109TH ACCOMPLISHMENTS: PROMOTING JOBS AND A STRONG ECONOMY

Tax Relief Act of 2005 (Tax Reconciliation) – P.L. 109-222

This law prevents a number of scheduled tax increases from going into effect and ensure that more middle-class, working Americans do not become subject to the Alternative Minimum Tax. America's economy grew by more than 3 percent for 10 consecutive quarters through 2005, and the law helps to ensure this pro-growth environment. Several important provisions of this law include small-business expensing provisions, a research and experimentation tax credit, deductions for tuition to help students and families afford college, deductions for state and local taxes, and the low-income savers credit.

Pension Security and Transparency Act of 2005 (S. 1783) – Passed Senate

This bill would increase the retirement security for American workers by helping to ensure the solvency of American pension plans. The bill also adjusts Pension Benefits Guaranty Corporation (PBGC) insurance premiums and establishes minimum funding standards to strengthen private pension plans, including multiemployer pension plans.

NOTE: The Senate is expected to consider H.R. 4, the Pension Protection Act of 2006, prior to the August Recess. H.R. 4 represents the agreed upon provisions from the conference on H.R. 2830 and S. 1783.

FY07 Concurrent Budget Resolution (S. Con. Res. 83) – Passed Senate

This budget resolution sets total spending at \$2.787 trillion and total revenues at \$2.428 trillion. As approved by the Budget Committee, the budget meets the President's goal of cutting the budget deficit in half by 2009 a year early; the projected budget deficit will be reduced to 1.7 percent of GDP by FY 2008. Most non-defense discretionary spending will remain flat or will be cut this year, as it was last year.

Deficit Reduction Act (Spending Reconciliation) – P.L. 109-171

This law reduces federal outlays by \$39.675 billion for FY 2006-2010 (and \$101.6 billion over the 2006-2015 period). The law includes provisions that would provide net savings in Medicaid of \$4.76 billion over five years and Medicare savings of \$6.41 billion over five years. This law is the first deficit reduction reconciliation bill since 1997; it affirms Republicans' commitment to controlling spending even while rebuilding the Gulf Coast following Hurricane Katrina.

Bankruptcy Abuse Prevention and Consumer Protection Act – P.L. 109-8

This law, the first major revision to the U.S. Bankruptcy Code since 1978, makes improvements to the bankruptcy code in consumer, small business, and corporate contexts. In particular, the law ensures that only those individuals who earn less than their state's median income or those who are otherwise unable to pay their debts are able to wholly discharge them. At the same time, it ensures that those who have the ability to pay back some of their debt actually do so, rather than abuse the system. This law will save approximately \$3 billion annually for consumers through lower interest rates and better products and services.

Dominican Republic – Central America – United States Free Trade Implementation Act (DR-CAFTA) – P.L. 109-53

This law implements the United States-Dominican Republic-Central America Free Trade agreement. This is the first free trade agreement between the United States and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, as well as the Dominican Republic. This agreement benefits U.S. businesses by leveling the playing field with America's 12th largest market for exported goods; 80 percent of U.S. exports to this region are immediately duty-free with the remaining 20 percent becoming duty-free by 2010. This "win-win" agreement also benefits Central American countries by helping to provide economic stability in these democracies, an issue vital to our national security interests.

United States-Bahrain Free Trade Agreement Implementation Act – P.L. 109-169

This law strengthens the economic and diplomatic ties between the United States and the State of Bahrain. Bahrain is one of America's closest allies in the Middle East. This law affirms the United States' commitment to supporting allies overseas and encouraging reform by promoting open markets.

Class Action Fairness Act – P.L. 109-2

The law curbs abuses in our courts that have driven up costs to consumers without benefiting the public. Over the past decade, class action lawsuits have grown over 1,000 percent nationwide, leading to increasingly unjust settlements that enrich a select few lawyers, while hurting plaintiffs and businesses in virtually every sector of America's economy. This law addresses these abuses by moving certain large, interstate class actions from state courts into federal courts and creates a consumer bill of rights to ensure that the class-action legal process protects the rights of plaintiffs.

The Protection of Lawful Commerce in Arms Act – P.L. 109-92

This law addresses the politicization of our court system by a small number of anti-gun activists who have attempted to hold the firearm industry legally responsible for the criminal conduct of others. These frivolous lawsuits have forced the firearms industry to spend nearly \$200 million defending the right to produce a legal product. In the event of a large verdict, this relatively small industry could be destroyed, and Americans' ability to exercise their Second Amendment rights could be dramatically curtailed.

Summary of Minimum Wage / Tax Relief Compromise

MINIMUM WAGE – Increase from Current \$5.15

- o \$5.85 on January 1, 2007 (+ 70 cents)
- o \$6.55 on June 1, 2008 (+ 70 cents)
- o \$7.25 on June 1, 2009 (+ 70 cents)
- o Minimum Wage Tip Credit.

EXTENSION OF TAX RELIEF AND OTHER PROVISIONS – Key Provision Extended Thru 2007

- o State and Local Sales Tax Deduction
- o Research & Development Tax Credit (fixed & extended)
- o College Tuition Deduction
- o Work Opportunity Tax Credit
- o Welfare to Work Tax Credit
- o Depreciation for Restaurants
- o Timber Capital Gains
- o Abandoned Mine Land
- o Mine Safety Tax Incentives
- o Teachers' Classroom Expenses deduction
- o Combat Pay applies to EITC

PERMANENT DEATH TAX RELIEF – Compromise prevents death tax rate from rising to 55% top rate and exemption dropping to \$1 million in 2011

- o A \$5 million exemption per spouse, indexed for inflation
- o A 15% (capital gains) tax rate up to \$25 million
- o A 30% fixed tax rate over \$25 million
- o Unify Estate and Gift Tax
- o Exemption is “portable” so that unused portion may be shifted to other spouse.



UNITED STATES
DEPARTMENT OF
THE TREASURY



FACT SHEET

BY THE NUMBERS: 2011 TAX INCREASES...

WITHOUT PERMANENT TAX RELIEF, MILLIONS OF AMERICANS IN 2011 WILL FACE TAX INCREASES.

On Average:

- **115 million taxpayers – \$1,716 increase;**
- **84 million women – \$1,970 increase;**
- **48 million married couples – \$2,726 increase;**
- **42 million families with children – \$2,084 increase;**
- **12 million single women with children – \$1,062 increase;**
- **17 million seniors – \$2,034 increase;**
- **26 million small business owners – \$3,637 increase; and**
- **More than 5 million taxpayers will become subject to the individual income tax.**

Background: This analysis assumes that the following provisions in the President's tax relief signed into law from 2001-2005 would be allowed, as scheduled, to expire at the end of 2010:

- Creation of the new 10 percent individual income tax bracket.
- Reduction in individual income tax rates above 15 percent rate bracket.
- Reduction of marriage penalties in the standard deduction, 15 percent rate bracket, and the earned income tax credit.
- Lowering the tax rate on capital gains and dividend income to 15 percent (0 percent for the lowest two rate brackets).
- Increase in the child tax credit to \$1,000.
- Expansion of the partially refundable additional child tax credit.
- Increase in the child and dependent care tax credit.
- Simplification of the rules for determining income for the earned income tax credit.

For more information visit <http://www.treas.gov/offices/tax-policy/>.

National Economic Indicators

Growth

- The economy grew a solid 3.5% over the past 4 quarters and at a 2.5% (AR) pace in 2006:Q2.
 - Real consumer spending grew 3.0% over the past 4 quarters and at a 2.5% pace in Q2.
 - Real investment in equipment and software grew 6.9% over the past 4 quarters, -1.0% pace in Q2.
- Private forecasters expect solid growth of 3.5% during 2006.

Jobs

- Nonfarm payroll employment increased by 121,000 in June.
- The economy has added 5.433 million jobs since August 2003.

Unemployment

- The unemployment rate stayed unchanged at 4.6% in June, below the average of the 1960s, 1970s, 1980s, and 1990s.
- UI claims averaged 312,750 over the last 4 weeks, consistent with solid job growth.

Inflation

- Inflation ticked up over the last year to still moderate levels.
- The core consumer price index (CPI) increased 2.6% over the last year, and the core PCE increased 2.1%.

Productivity

- Nonfarm productivity jumped 3.7% at an annual rate in the first quarter. Productivity growth since 2001:Q1 remains strong at a 3.5% annual rate.

Incomes

- Real after-tax *per capita* personal income has increased \$2,105 (7.2%) during this Administration.
- Real after-tax *aggregate* personal income has increased 12.8% during this Administration.

Hurricane Katrina

- Several hundred thousand workers have been displaced from their jobs.
- The production of oil and gasoline was disrupted, but has already shown much improvement.
- The Port of New Orleans was shut down, and uncertainty remains about when it will be fully operational.

Housing

- June starts fell to a relatively-high pace of roughly 1.85 million units at an annual rate.
- In June, new home sales ticked down to 1.1 million; existing home sales edged down to 6.6 million.
- Homeownership now stands at 68.8% (as of 2006:Q2) near its record high of 69.3% in 2004:Q2.
- House prices continued to surge in 2005, but are expected to slow in the future.
- National house price increases to date are consistent with fundamentals: real income and employment growth, low mortgage rates, and supply restrictions in some markets.

Oil Prices

- Oil prices have risen about \$15/barrel over the past year, creating some headwinds for the economy. Futures markets expect prices to remain at current levels.
- President has put forth a comprehensive energy policy to reduce dependence on foreign sources of energy.

Consumers

- Consumer spending (up 2.5% AR in Q2) continues to be supported by job gains, income gains, and rising wealth.
- Balance sheets are solid, and delinquency rates on consumer loans and bankruptcy filings are falling.

Stock Market

- The Dow is up over 30% since the start of 2003; the NASDAQ is up over 50% (as of 7/27/2006).

Budget

- To date, tax receipts are up 12.8% this year, over the 14.6% gain of last year (FY 2005). Treasury is now reporting the highest annual tax receipts ever.
- The FY 2005 deficit was \$318 billion, or 2.6% of GDP, and the FY 2006 deficit is projected to be \$296 billion, or an estimated 2.3% of GDP.

Measures of Income and Earnings	Growth (in percent unless otherwise indicated, adjusted for inflation)		
	Latest Year	Average since 2001	Since 2001 (not at an annual rate)
Wages, Salaries, and Compensation			
[1] Average hourly earnings*	-0.6	0.2	1.2
[2] Compensation per hour	-0.9	1.5	8.1
[3] Median usual weekly earnings	-1.3	0.0	-0.1
[4] Wages and salaries, per person	0.5	0.3	1.4
[5] Compensation, per person	0.9	1.0	5.6
Personal Income, Per Person			
[6] Total personal income	2.1	0.9	5.2
[7] Disposable personal income	1.0	1.3	7.6
[8] Disposable personal income (constant 2006:Q2 dollars)	\$300		\$2,236
[9] Median household income (official Census definition)**	-0.2	-0.9	-3.6
[10] Median household income (post-taxes and transfers)**	1.9	0.2	0.6
Aggregate Income			
[11] Disposable personal income	1.9	2.3	13.5

Note: Growth over the past year is taken as: Jun/Jun for series [1]; May/May for series [4] and [5]; Q2/Q2 for series [6], [7], [8], and [11]; and Q1/Q1 for series [2] and [3]. Growth since 2001 begins with the last observation of 2000.

* Includes only production and nonsupervisory workers.

** Data available only through 2004. Past year is taken as 2004/2003, and average growth since 2001 is 2004/2000.

Friday, July 26, 2006

Glossary and Sources

[1] Average Hourly Earnings

Source: Bureau of Labor Statistics, Department of Labor

Average hourly earnings of production or nonsupervisory workers in natural resources and mining, manufacturing, construction, and service-providing industries. These groups account for approximately four-fifths of the total employment on private nonfarm payrolls.

[2], [5] Compensation per hour, Compensation per person

Source: Bureau of Labor Statistics, Department of Labor

Compensation includes the entire range of wages and benefits, both current and deferred, that workers receive out of their employment.

[3] Median Usual Weekly Earnings

Source: Bureau of Labor Statistics, Department of Labor

Wage and salary earnings before taxes and other deductions; includes any overtime pay, commissions, or tips usually received. Data refer to full-time wage and salary workers only (35+ hours per week), excluding all self-employed persons and all unpaid family workers. Workers are ranked from highest to lowest and the median worker is the one with equally many workers above him/her as below him/her.

[4] Wages and Salaries, per person

Source: Bureau of Economic Analysis, Department of Commerce

The money remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; voluntary employee contributions to certain deferred compensation plans, such as 401(k) plans; and receipts in kind that represent income.

[6] Total Personal Income

Source: Bureau of Economic Analysis, Department of Commerce

Pre-tax income received by persons from all sources. It is the sum of proprietors' income, wages and salaries (direct compensation of employees), supplements to wages and salaries (fringe benefits such as employer contributions to employee pension and insurance funds and government social insurance), rental income, interest income, dividend income, transfers, and contributions for government social insurance.

[7], [8], [11] Disposable Personal Income

Source: Bureau of Economic Analysis, Department of Commerce

Total after-tax income received by individuals - exactly equal to personal income less tax burden. Disposable income is the income available to persons for spending or saving.

[9] Median Household Income (official Census definition)

Source: U.S. Census Bureau

Pre-tax and transfer income (but includes government cash transfers such as Social Security and welfare) for all people 15 years and older in the household, excluding fringe benefits such as employer pension contributions and employer-provided health benefits. Families are ranked from highest to lowest and the median family is the one with equally many families above it as below it.

[10] Median Household Income (post-taxes and transfers)

Source: U.S. Census Bureau

Post-tax and transfer income for all people 15 years and older in the household, including capital gains.

Source: Council of Economic Advisers

Employment Cheat Sheet for June 2006

Series ¹	Change from Jan-01 to present (Jun-06)	Turnaround point	Change from turnaround point to present (Jun-06)	Change during 2005 (Dec-04 to Dec-05)	Change during 2006 (Dec-05 to Jun-06)	Current level (Jun-06)
<i>Payroll Survey</i>						
Total Nonfarm Employment	2.759	Aug-03	5.433	1.981	0.854	135.23
Manufacturing Employment ²				-0.072	0.029	14.251
<i>Household Survey</i>						
Household Employment ³	6.519			2.671	1.715	144.363
Unemployment Rate (percentage points)	0.4	Jun-03	-1.7	-0.5	-0.3	4.6

¹ Series in millions except where noted.

² Manufacturing employment has declined in 6 of the past 12 months.

³ Household employment smoothed for population.

7/7/06